

# SANPA-Springer Book Series

## *Call for Chapters*

### **Elite Capture and Public Policy in Asia: Safeguarding Democratic Governance**

#### **Introduction**

The proposed book aims to undertake a comprehensive analysis of elite capture over public policies in Asian countries. The objective is to inform readers about the strategies adopted by the elite in establishing control over the policy process and substantiate their hold on political systems. The book will explore the potential for developing mechanisms to respond and resist elite capture and contribute to the democratization of the policy process. This will be accomplished through an exploration of existing theories, examination of cases, and analysis of the experience of countries in Asia to offer practical policy recommendations. The ultimate objective of the book is to inform scholars, analysts, policymakers, activists and citizens about elite capture of public policy and the problems arising from their influence in shaping policy decisions. The book will highlight the importance of safeguarding democratic governance from being captured by powerful interests.

#### **Background: Elite Capture**

The concept of elite and their influence are well documented in the literature. Earlier, they featured prominently in the works of Pareto, Mosca, Michels and other scholars. While there was increasing awareness about the problem, not much could be done to address the trend of elite capture. The transitions in the former states of the Soviet Union after the end of the Cold War resulted in a resurgence of interest in elite research. At the same time, the recognition of the need for good governance contributed to renewed interest in the reexamination of the role of elites and their impact on public policies.

Elite capture refers to the understanding of the processes by which “individuals and groups with differing degrees of influence and power negotiate the choice of policies, the distribution of resources, and the ways in which to change the rules themselves (WB, 2017: xiii).” It is also defined as “a phenomenon where resources transferred for the benefit of the masses are usurped by a few, usually politically and/or economically powerful groups, at the expense of the less economically and/or politically influential groups (Dutta, 2009: 3).” When elites capture the state, not only do they establish their control over shaping the policies or setting the rules of the game but also alter or weaken the accountability ecosystem.

In the post-Cold War context, with more emphasis on governance improvement for development and setting a global development agenda, the literature on elite/state capture started surging across different countries. While much of the literature seeks to

use state capture to unpack a phenomenon of the elite's control over policies and institutions that distribute economic resources and incentives to the advantage of the few, elite capture essentially bears the same meaning as the elite are the key actors in the capture process. Therefore, state and elite capture are used interchangeably (WB, 2021). In order to understand state/elite capture, it is necessary to find out how policies are crafted rather than the intention of the policies. Many policies with good intentions failed because the elite did not want them to be implemented; thus, it became imperative to look at who contributed to the policies.

Furthermore, the ascendance of globalization and liberalization have fundamentally altered power relations between and among governments, businesses and other social actors (UNRISD, 2010, p. 233). The structural power of capital, as evidenced by the increase of business influence over public policy making, particularly in developing countries “where government technocrats see FDI as the key to development and are fearful of capital flight or strikes. Often, their assumptions about wants relate more to the interests of TNCs and foreign investors” than domestic capital including MSMEs (UNRISD, 2010, p. 241) For example, privatization in many developing countries has resulted in the tightening of corporate control over some sectors and in the delivery of certain services; furthermore, corporate rights related “with property rights and an enabling environment for TNCs and foreign investors”, have been strengthened in many developing countries which has resulted in a “growing imbalance between corporate rights and obligations” (UNRISD, 2010, p.242).

In this context, one of the impetuses for policy capture is that countries dependent on aid allow multilateral finance institutions to exercise undue political and economic power to dictate the terms of loan agreements (UNRISD, 2010, p. 287, Rahman & Quadir, 2018; Rahman & Quadir, 2023, Rahman, 2018, Rahman, forthcoming).

### **Elite/State Capture: The Process**

Hellman, Jones & Kaufmann (2000) argued that the liberalization and privatization of the economy of Eastern Europe and former Soviet states received much attention, while less attention was paid to the dynamics of the state, which had profound implications on the reform designs and plans. Not only were the states weak, but the civil societies were also not strong enough to protect the people's interests. In such a context, collusion between the powerful actors, politicians, businesspeople, and bureaucracy emerged to maneuver the contracts to the advantage of the powerful few, discriminating against the less influential to maximize private interests. Hellman, Jones & Kaufmann (2000) characterized this manipulation as state capture and considered it much bigger than corruption. They defined it as ‘...shaping the formation of the basic rules of the game (i.e. laws, rules, decrees and regulations) through illicit and non-transparent private payment...’ (2000: 3).

Acemoglu & Robinson (2008) revealed that the elite determines economic policies to ensure their rent over economic outputs and eventually control political authority to perpetuate the cycle of extractions. In another study, Acemoglu and Robinson (2012) presented historical perspectives from different regions, countries, and across time periods on the elite’s use of extractive approaches to preserve their economic and

political interests and influence. The elite's control does not allow the political institutions and development policies to be more inclusive to serve the interests of the general people. Thus, they argue that "Nations fail today because their extractive economic institutions do not create the incentives needed for people to save, invest, and innovate. Extractive political institutions support these economic institutions by cementing the power of those who benefit from the extraction (2012: 372)".

In the post-Cold War context, with more emphasis on governance and development and a global development agenda, studies on elite/state capture began to emerge from different countries. While much of the literature seeks to use state capture to unpack a phenomenon of the elite's control over policies and institutions that distribute economic resources and incentives to the advantage of the few, elite capture essentially bears the same meaning as the elite are the key actors in the capture process. Therefore, state and elite capture are used interchangeably (WB, 2021). Therefore, it is necessary to find out how policies are crafted rather than the intention of the policies. Many policies with good intentions failed because the elite did not want them to be implemented, pointing to the need for identifying the contributors to the policies. Thus, elite capture is all about to "understand how individuals and groups with differing degrees of influence and power negotiate the choice of policies, the distribution of resources, and the ways in which to change the rules themselves (WB, 2017: xiii)."

Administrative or transactional corruption, e.g., paying money or bribing government officials to get services from government facilities and institutions, is different from the capture phenomenon. To seize or capture the state, the extractive class and/or ruling elites try to do more than corrode it; they slacken the regulations and oversight mechanisms and processes. Policies and institutions are shaped to perpetuate their private gains from state mechanisms. In doing so, the ruling party becomes the administration, regulation, and distribution agent, eventually hollowing out the state institutions (Grzymala-Busse, 2008).

The international donor community exercises control over public policy making in aid-dependent countries through various forms of conditionalities (Syeduzzaman, 2004; UN, 2017). As many governments are "under considerable pressure to limit policy options to a narrow set of objectives that emphasize fiscal restraint, privatization and liberalization... governments often prefer to limit policy making to technocrats, or those with expertise, whose decisions are insulated from political processes. This, in effect, renders parliaments and social groups ineffective players in the policy-making process. Technocrats are mostly found in central banks and finance and trade ministries which are integrated into global financial and trade systems and increasingly adopt a less developmental and redistributive stance in policy making" (UNRISD, 2010, p. 287).

### **Elite Capture: Implications and Impact**

The capture of the decision-making and/or the policy arena makes it inevitable that "the benefits of competition and contestability are systematically sacrificed to favor a select few politically connected families and/or elite networks", resulting in economic stagnation (WB, 2021: 4). The capture establishes its hold through different means

(though it is difficult to make an exhausted list) listed below: (i) creating opportunities for privileged access to inputs, such as bank credit, import licenses and land and other utilities, (ii) doctoring the public procurement policies and systems to favor politically blessed and connected contractors, ignoring the quality of bids., (iii) discriminatory and selective tax enforcement, (iv) regulatory distortions and protections for the preferred firms and individuals, (v) offering excessive generous subsidies, grants provisions, and tax exemptions (WB, 2021; WB, 2019). The capturing process also occurs by politicization and incentivizing state institutions, particularly the bureaucracy and other accountable bodies.

The cost of policy capture is enormous. The World Development Report 2017 (Ch 5) underlined that the obvious cost of such captures because they lead to inefficient public resource allocation. Since political patronage plays a significant role in getting bank loans in a captured economy, in most cases, the unproductive companies get more financial assistance from banks, depriving the productive firms and consequently resulting in poor economic performance. "Such misallocation could also have a long-term impact on growth through its detrimental effects on the basic economic process of creative destruction— that is, the entry of new firms, investment by existing firms to become more productive, and the exit of unproductive firms...By tilting the playing field against ordinary firms, such capture can also make growth less inclusive (WB, 2017: 144)."

However, elite or state capture happens in a distinct network structure that helps the corrupt actors assemble around certain public institutions and industries that can create and perpetuate rents and incentives for those corrupt actors. Weak institutions with fragile regulations, centralized decision-making mechanisms entailing heavy state involvement, and considerable room for discretion can contribute to thriving state capture (WB, 2019).

Public accountability is weakened as technocrats who run economic and financial programs tend to be more attuned to the needs and imperatives of international development, financial and trade institutions rather than more representative domestic institutions and the national constituencies. (UNRISD, 2010, p. 284). Public accountability and democratic processes suffer when public policy making becomes the exclusive purview of technocrats as they tend to insulate discussions of policy issues from the broad public and citizens' groups (ibid). UNRISD (2010, p. 284) observed that central banks may give added privilege to strategies for reducing inflation, as well as financial and trade liberalization, over those of generating employment or more inclusive social policies" (ibid).

The Global State of Democracy 2023 does not provide an encouraging scenario for Asian countries. While some countries, such as Malaysia and Maldives, made some progress in the electoral sector, most countries experienced stagnation or sharp decline in several areas, such as elections, participation, civil rights, and freedom of the press. Electoral integrity has been hugely compromised in Bangladesh. India had developed into a vibrant democracy but is now experiencing backsliding in different dimensions of human rights and civil liberty. The erosion of electoral systems has also

been evident in India, Cambodia, and the Philippines (IIDEA, 2023). Several countries in Asia have encountered the rise of personalized governance, where a top leader or the ruling party takes the central role, leaving little or no room for political competition and or contestation; this is more prevalent in emerging economies with fragile democracies or hybrid regimes. On the institutional front, Asian public administration is predominantly political patronage-based (Peters, Knox, and Kim, 2023) and, consequently, is likely to be more susceptible to being captured by elites for self-interest.

The democratic backsliding is taking its toll in terms of rising inequality and elite corruption (Ford and Hass, 2021). The latest UNDP (2023: 1) Regional Human Development Report underlines: "The richest 10 percent consistently command over half of total income, and in South Asia in particular, income inequality has been worsening. There are also persistent inequalities in the distribution of wealth, especially in South-East Asia and South Asia, with the highest wealth inequality observed in China, India, Myanmar, Sri Lanka and Thailand." Zúñiga (2019) pointed out that the business-politics collusion essentially led to crony capitalism in the region. The rise of crony capitalism will likely trigger a vicious cycle of elite dominance over the economy. Martinez-Bravo & Wantchekon (2023: 6-7) characterize crony capitalism as "a systematic capture of the overall state structure by private interests," and argue that there is a correlation between autocratic and hybrid regimes and crony systems.

It is important to note though that while democracies promote public discussion and contestation of public issues, the ability of different groups to shape the debate and influence policy outcomes vary. UNRISD (2010, p. 283) observed: "Current democracies face two types of constraints. The first, underscored vividly by the financial crisis of 2008-2009, is the capture of economic policy by investors, financial institutions and donors through various types of conditionality ... The second constraint relates to the limited nature of industrial transformation in most new democracies, the uneven quality of their democratic institutions and processes, and ethnic cleavages in many that shape choices and capacity for collective action. All of these factors affect the formation and growth of interest groups, social movements and parties for holding leaders accountable and for constructing pacts with redistributive agendas."

### **The Way Forward: Safeguarding Democratic Governance**

The proposed book intends to present analyses to explain the factors contributing to elite capture, their impact on societies, and the potential of governments to address this issue. Studies on Asian countries are expected to provide insight on the impact of state and elite capture and recommend measures for overcoming the problem. Thematic and country studies will add value to the literature by proposing methods and mechanisms for addressing the problem of elite capture over public policy making, governance and development. This will be accomplished by underscoring how the state can "reassert social control over markets and large corporations via various institutional arrangements and the reconfiguration of power relations" (UNRISD, 2010, p. 233). Examples can be provided of how an empowered population, including of subaltern groups like informal sector workers and farmers, are mobilized and can influence public policy making; the promotion of human rights to regulate the corporate

sector (international and domestic); and the strengthening of the state, especially in the areas of regulation and enforcement (UNRISD, 2010, pp. 253, 305-306).

### About the Book

The South Asian Network for Public Administration (SANPA), under the SANPA-Springer Book Series, has released this *call for chapters* to publish a volume titled **Elite Capture and Public Policy in Asia**. This volume seeks to contribute to explaining and assessing the state of policy capture by domestic economic and political elites (as in the case of a country’s oligarchs), the corporate sector (at global and national levels), and multilateral financial institutions in different countries of the regions, with particular reference to the following themes but not limited to:

|   |                                       |                                     |   |
|---|---------------------------------------|-------------------------------------|---|
| <i>poverty, inequality, and livelihoods</i>   | <i>education</i>                      | <i>health</i>                       | <i>water provisioning</i>                       |
| <i>Electricity</i>                            | <i>transportation</i>                 | <i>telecommunications</i>           | <i>public institutions and their capacities</i> |
| <i>Technology</i>                             | <i>disaster and public provisions</i> | <i>bureaucracy</i>                  | <i>public service delivery</i>                  |
| <i>policy objectivity and the public good</i> | <i>business, and banking</i>          | <i>business elites and politics</i> |   |

The editors are interested in receiving contributions that shed light on the influence of elite capture on public policy, identification of elite actors, their motivations, and mechanisms of capture. It will be interesting to explore the consequences of elite capture (inequality, erosion of democratic institutions, rent-seeking behavior, public distrust, and alienation) and resistance to elite capture (transparency, accountability, regulatory oversight, citizen engagement, public service culture). Contributions highlighting case studies are also welcome.

The book is particularly aiming to review how public policies and institutions are used for private gains and the emerging collusion of actors through such interactions. The authors can analyze how elite capture cascades down from the center to the periphery within the same country due to political patronage and regime connivance, often deepening the vicious cycle of exploitation and deprivation. Qualitative, quantitative, empirical, and theoretical papers within the book’s broader scope and original nature are welcome. Nuanced and theoretical papers backed by adequate empirical evidence suggesting potential resolution of the problem of elite capture will be appreciated.

The book is intended to fill voids that currently exist in the literature on Asia. There is a dearth of studies on elite/state capture of public policy from the public administration and governance points of view. The book will present a comprehensive and comparative discussion on the theme by drawing upon experiences from Asian countries and the chapters will reflect the degree and complexity of elite capture in a vast area of the world. Asian countries offer rich diversity in terms of development, governance and institutional capacity and they range from shining examples of success

to abject failure. The diverse experiences are likely to draw attention to the more nuanced aspects and contours of the capture. The collection of chapters should be of interest to academics, practitioners, researchers, policymakers, international development organizations, advocacy institutions, activists, and students of politics, public policy, and administration.

### **KEY DATES**

- Abstract submission deadline: 25 April 2024
- Review decisions on abstracts: 15 June 2024
- Full-length paper (6-8k words): 15 November 2024
- Review feedback: 15 December 2024
- Final submission: 31 December 2024

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